

MONTHLY REPORT OF THE INVESTMENT ADVISORY COMMITTEE

Prepared by the Department of Finance

MARCH, 2016

MONTHLY REPORT
OF THE
INVESTMENT ADVISORY
COMMITTEE
OF THE CITY OF HAMILTON, OHIO

March 1, 2016 through March 31, 2016

INVESTMENT ADVISORY COMMITTEE

MARCH 2016

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Monthly Investment Committee Report

March 2016

Introduction

This document meets the requirement of the City of Hamilton's Certified Investment Policy to report the monthly investment portfolio data to the Investment Advisory Committee. The report is designed to allow the Committee to ascertain that the City's investment activities conform to the Certified Investment Policy and achieve a designated benchmark rate of return as measured below.

The Investment Advisory Committee approves changes to the Certified Investment Policy, reviews the City's investments, and adopts rules that assure the Policy is met. The Committee includes the Mayor (or Council designee), the City Manager, the Law Director, the Finance Director, and the Treasurer.

It is the policy of the City of Hamilton, Ohio to invest interim funds to achieve the maximum preservation and security of funds, meet daily cash flow needs, and after achieving these objectives, achieve the highest rate of return. Investments are made using the "prudent investor" rule. Funds sufficient to meet payment obligations are kept in liquid funds. Funds not immediately needed are invested. Investments are made with the expectation that they will be held to maturity.

Investments include and are diversified as provided in Chapter 135 of the Ohio Revised Code. All deposits must be collateralized at 102% of market value. The maximum maturity for investments is five years.

The City has pooled General Accounts, Rate Stabilization Accounts for the four City utilities, and an Electric System Reserve Account.

The portfolio performance standard is a weighted benchmark as follows: 50% of the two-year Treasury Note at month-end, 25% of the three month average of the Star Plus yield at month-end; and 25% of the Federal Funds Rate at month-end.

The City has a checking and sweep account at US Bank, a Star Plus money market account managed by the Ohio Treasurer of State, managed security accounts with Bond-Tech, Inc. and United American Capital Corporation, one Fidelity Money Market Account, and two First Financial Bank Money Market Accounts. The City also has two custodial accounts with US Bank to settle trades.

Account	February Book Value	March Book Value	Variance	Interest Rate %
U.S. Bank Sweep Acct	8,096,459.87	10,648,889.60	2,552,429.73	0.05
First Financial-Gen Oper	22,296,439.56	19,303,607.88	(2,992,831.68)	0.40
First Financial Rate Stab.	13,152,993.24	13,157,449.45	4,456.21	0.40
COH Treasurer's Notes	275,300.00	275,300.00	0.00	1.53
STAR Plus	0.00	0.00	0.00	0.31
United American Capital Corporation (UACC)	30,052,533.50	37,043,316.42	6,990,782.92	1.155
Fidelity Money Market (UACC)	16,445.32	2,031,819.85	2,015,374.53	0.23
Bond Tech Managed Portfolio	9,998,924.19	1,999,680.18	(7,999,244.01)	1.025
Total	83,889,095.68	84,460,063.38	570,967.70	

As noted in the table above, the net position of the portfolio at March 31 increased \$570,967.70 as detailed below.

The **US Bank Sweep Account** increased during March simply due to timing at month end where the funds to be invested were not drawn by the last day of the month. Interest income was \$352.64 at March 31 as the sweep account remained flat at 5 basis points.

The **First Financial General Operating** account increased from February to March by interest income earnings of \$7,193.32.

The **First Financial Rate Stabilization** account has provided a stable investment opportunity for the utility indenture funds. Interest income for February was \$4,456.21.

The **City of Hamilton's Treasurer's Notes**: Two notes remain on the books effective February 29, 2016. A Treasurer's Note of \$425,000.00 was sold in July, 2011 for a portion of the construction and repair of sidewalks, curbs, and gutters on various streets as part of the 2011 Special Assessment Street and Sidewalk Program. The note balance is \$85,000.00. The second Treasurer's Note of \$475,750.00 was sold February 15, 2013 for Municipal Golf Course maintenance equipment, clubhouse improvements, and golf and beverage cart purchases. The note balance is \$190,300.00.

The **STAR Plus** account is now at a zero balance as all funds have been transferred to United American Capital Corporation for higher-yield investments.

United American Capital Corporation (UACC) continued to purchase numerous investments during March, 2016 with an overall book value of \$37,043,316.42. Please see pages 7-8 for this detail. One Commercial Paper investment matured in March with gross interest income of \$1,037.50. Additional investments are planned to build the portfolio and to further enhance our returns.

An additional money market account rests within the UACC portfolio – **Fidelity US Government MMF (FIGXX)**. This mechanism provides a brief “parking spot” for investment funds returning from a call or maturity, as well as idle funds ready to purchase specific investments. This account provides efficiencies and continuous yields, with no downtime. The money market account ended with a balance of \$2,031,819.85 in funds paying 23 basis points. These funds are ready for immediate investment.

The decrease in the **Bond Tech** portfolio reflects 3 calls plus the net of Treasury Investment Pool premiums and discounts as of March 31, 2016, with minimal interest income. Only two securities remain in this portfolio with potential call dates for April and May.

I. INVESTMENT ACTIVITY REPORT

March 2016

The Federal Open Market Committee (FOMC) met in March to review open market operations, the reserve balance rate, and the economy, thereby keeping the target rate at 50 basis points.

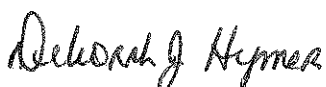
To date, the overall economy continues to expand at a moderate pace. Household spending, housing improvements, and job gains are on the rise. Future rate adjustments will depend on the realized and expected economic conditions, including labor, inflation, and financial developments both on the home front and abroad.

The City's account balance of \$84,460,063.38 consists of the Bond Tech and United American Capital Corporation invested portfolios, two Treasurer's Notes, two First Financial Money Markets, and the US Bank Sweep (See Tables II and III). For March, the Bond Tech General account had an unrealized gain of \$359.80 as the market value of the portfolio increased over book value at month end. United American Capital Corporation's market value rose over book value, providing an unrealized gain of \$145,175.43. Total undistributed interest income totaled \$62,510.28 including purchased interest.

The City of Hamilton's Investment Policy requires portfolio reporting to the Investment Advisory Committee, including investment type, book value, market value and income earned. The Portfolio Performance Summary Table III provides this detail.

Note that the Realized Estimated Annual Income of \$591,690.25 continues strong due to the hike of the Federal Funds Rate and the investment of securities through United American Capital Corporation. The Realized Estimated Annual Income consists of realized net gains or losses plus estimated annual interest, and calculates to be 0.70% of investment book value versus the benchmark target of 0.56%. Note that these numbers are an estimate and at a point in time. The portfolio is ever-evolving and the numbers will change as calls, maturities and purchases occur throughout the year. As always, conservatism remains the key to meet our investment objectives of safety first, liquidity second and lastly yield.

Respectfully submitted,



Deborah J. Hymer
Treasurer

II. Portfolio Balance Summary - March 31, 2016

General Accounts -- Book Values

Liquid Funds

U.S. Bank Treasury Sweep	\$	10,648,889.60
First Financial*	\$	18,153,607.88
Fidelity Money Market (UACC)	\$	2,031,819.85
Total	\$	30,834,317.33

Invested Funds

Bond Tech	\$	1,999,680.18
UACC	\$	37,043,316.42

COH Treasurer's Note *	\$	85,000.00	Held w/in US Bank O/N
COH Treasurer's Note *	\$	190,300.00	Held w/in US Bank O/N

Total **\$ 39,318,296.60**

Total Liquid and Invested Funds

\$ 70,152,613.93

Utility Rate Stabilization & Reserve Accounts

	<u>First Financial</u>	<u>Invested Funds</u>	<u>Reserve Funds</u> *Held as part of First Financial	
Gas Utility (Fund 516)				
Liquid Funds First Financial	\$ 2,514,950.66			
Bond Tech U.S. Treasury/Agency		\$ -		
Reserve Account (Fund 517)			\$ 200,000.00 *	
Electric Utility (Fund 526)				
Liquid Funds First Financial	\$ 4,015,104.43			
Bond Tech U.S. Treasury/Agency		\$ -		
Electric System Reserve (Fund 527)				
Liquid Funds First Financial	\$ 3,008,784.61			
Bond Tech U.S. Treasury/Agency		\$ -		
Water Utility (Fund 536)				
Liquid Funds First Financial	\$ 1,583,489.12			
Bond Tech U.S. Treasury/Agency		\$ -		
Reserve Account (Fund 537)			\$ 200,000.00 *	
Waste Water Utility (Fund 546)				
Liquid Funds First Financial	\$ 2,035,120.63			
Bond Tech U.S. Treasury/Agency		\$ -		
Reserve Account (Fund 547)			\$ 750,000.00 *	
Total	\$ 13,157,449.45	\$ -	\$ 1,150,000.00	\$ 14,307,449.45

Grand Total All Funds

\$ 84,460,063.38

III. Portfolio Performance Summary As of March 31, 2016

Investment	Book Value	Market Value	Unrealized Gains/Losses	Realized Gains/Losses	Estimated Annual Interest	Est'd Annual Total Income	Realized Estimated Annual Income
Star Plus (1)	\$ 10,148,664.84	\$ 10,148,664.84	\$ -	\$ -	\$ 40,594.66	\$ 40,594.66	\$ 40,594.66
First Financial Rate Stab (2)	\$ 3,008,784.61	\$ 3,008,784.61	\$ -	\$ -	\$ 12,035.14	\$ 12,035.14	\$ 12,035.14
First Financial Elec Sys Reserve (3)	\$ 10,648,889.60	\$ 10,648,889.60	\$ -	\$ -	\$ 5,324.44	\$ 5,324.44	\$ 5,324.44
US Bk Checking Sweep (1)	\$ 19,303,607.88	\$ 19,303,607.88	\$ -	\$ -	\$ 77,214.43	\$ 77,214.43	\$ 77,214.43
First Financial General Operating* (1)	\$ 85,000.00	\$ 85,000.00	\$ -	\$ -	\$ 1,793.50	\$ 1,793.50	\$ 1,793.50
City of Hamilton Treasurer's Note (1)	\$ 190,300.00	\$ 190,300.00	\$ -	\$ -	\$ 1,807.85	\$ 1,807.85	\$ 1,807.85
City of Hamilton Treasurer's Note (3)	\$ 1,999,680.18	\$ 2,000,039.98	\$ 359.80	\$ -	\$ 20,396.74	\$ 20,756.54	\$ 20,396.74
B-Tech General Account (1)	\$ 37,043,316.42	\$ 37,188,491.85	\$ 145,175.43	\$ -	\$ 427,850.30	\$ 573,025.73	\$ 427,850.30
UACC	\$ 2,031,819.85	\$ 2,031,819.85	\$ -	\$ -	\$ 4,673.19	\$ 4,673.19	\$ 4,673.19
Fidelity Money Market UACC	\$ 84,460,063.38	\$ 84,605,598.61	\$ 145,535.23	\$ -	\$ 591,690.25	\$ 737,225.48	\$ 591,690.25
Total							

(1) General Accounts
Realized Annual Income / Book Value = 0.70%

(2) Rate Stabilization
Benchmark Rate of Return = 0.56%

(3) Electric System Reserve

*Contains Gas, Water, & Wastewater Reserve of \$1,150,000

Benchmarks		
Fed. Funds Rate	0.50	0.25
Star Plus	0.29	0.07
2 Yr Treas	0.73	0.37
Total		0.56

City of Hamilton
Portfolio Management
Investment Status Report - Investments
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CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	Days to Maturity	YTM	Market Value	Accrued Interest At Purchase	Current Principal	Book Value
Federal Agency - Coupon (NC)												
3137EADU6	16-0034	FHLMC	800,000.00	0.500	01/27/2017	02/04/2016	301	0.658	799,112.80	77.78	798,768.00	798,845.78
3130A4K27	16-0006	FHLB	1,000,000.00	0.720	03/06/2017	01/12/2016	339	0.860	1,000,420.00	Received	998,400.00	998,400.00
3134G62A0	16-0018	FHLMC	1,000,000.00	0.875	06/16/2017	01/15/2016	441	0.889	1,001,951.00	704.86	999,800.00	1,000,504.86
3130A62S5	16-0023	FHLB	1,085,000.00	0.750	08/28/2017	01/20/2016	514	0.890	1,085,471.98	Received	1,082,580.45	1,082,580.45
3133EAA32	16-0005	FFCB	1,072,000.00	0.900	11/15/2017	01/11/2016	593	1.036	1,073,365.73	1,500.80	1,069,341.44	1,070,842.24
3134C3T26	16-0004	FHLMC	1,000,000.00	1.000	05/14/2018	01/11/2016	773	1.153	1,005,247.00	1,583.33	996,470.00	998,053.33
3136G1CF4	16-0007	FNMA	2,000,000.00	1.000	07/30/2018	01/12/2016	850	1.166	2,010,028.00	Received	1,991,680.00	1,991,680.00
3130A4S00	16-0021	FHLB	1,000,000.00	1.250	02/20/2019	01/15/2016	1,055	1.266	1,006,815.00	Received	999,510.00	999,510.00
3137EADZ9	16-0045	FHLMC	1,000,000.00	1.125	04/15/2019	03/24/2016	1,109	1.164	1,003,926.00	93.75	998,830.00	999,923.75
3137EADM8	16-0012	FHLMC	1,000,000.00	1.250	10/02/2019	01/14/2016	1,279	1.459	1,004,305.00	3,541.67	992,460.00	996,001.67
313381C94	16-0032	FHLB	1,000,000.00	1.250	12/13/2019	01/25/2016	1,351	1.371	1,001,784.00	1,458.33	995,447.00	996,905.33
Federal Agency - Coupon (NC) Totals									11,992,426.51	8,960.52	11,923,286.89	11,932,247.41
Commercial Paper - Discount												
89233GEQ5	16-0013	TOY	500,000.00	0.650	05/24/2016	01/13/2016	53	0.661	498,808.33		498,808.33	498,808.33
46640PG80	16-0001	JPM	1,000,000.00	0.820	07/08/2016	01/11/2016	98	0.835	995,922.77		995,922.77	995,922.77
46640PGE7	16-0016	JPM	500,000.00	0.820	07/14/2016	01/19/2016	104	0.835	497,984.17		497,984.17	497,984.17
89233GJE7	16-0040	TOY	500,000.00	0.760	09/14/2016	03/21/2016	166	0.773	498,131.67		498,131.67	498,131.67
Commercial Paper - Discount Totals									2,490,846.94	0.00	2,490,846.94	2,490,846.94
Federal Agency - Coupon (Callable)												
3135G0VL4	16-0009	FNMA	1,000,000.00	1.125	03/20/2018	01/12/2016	718	1.181	1,000,268.00	Received	998,800.00	998,800.00
3136G0Y47	16-0022	FNMA	1,000,000.00	1.060	04/30/2018	01/15/2016	759	1.130	1,000,047.00	2,208.33	998,410.00	1,000,618.33
3135G0X00	16-0019	FNMA	250,000.00	1.000	05/21/2018	01/15/2016	780	1.195	249,804.25	375.00	248,875.00	249,250.00
3130A67K7	16-0037	FHLB	200,000.00	1.270	08/10/2018	02/19/2016	861	1.270	200,455.80	63.50	200,000.00	200,063.50
3134G84A4	16-0015	FHLMC	1,000,000.00	1.250	08/24/2018	01/14/2016	875	1.280	1,000,086.00	Received	999,230.00	999,230.00
3134G6Z97	16-0026	FHLMC	500,000.00	1.250	08/27/2018	01/20/2016	878	1.250	500,133.00	Received	500,000.00	500,000.00
3130A6U09	16-0003	FHLB	1,000,000.00	1.350	09/28/2018	01/11/2016	910	1.369	1,001,030.00	Received	999,500.00	999,500.00
3136G2PX9	16-0046	FNMA	1,000,000.00	1.060	10/26/2018	03/31/2016	938	1.070	1,000,130.00	4,563.89	999,750.00	1,004,313.89
3136G15R6	16-0014	FNMA	500,000.00	1.000	12/27/2018	01/14/2016	1,000	1.350	500,005.50	236.11	494,950.00	495,186.11
3136G2YF8	16-0038	FNMA	750,000.00	1.150	05/24/2019	02/26/2016	1,148	1.150	750,144.00	47.92	750,000.00	750,047.92
3136G2YV1	16-0047	FNMA	1,000,000.00	1.150	05/24/2019	03/31/2016	1,148	1.183	1,000,013.00	1,181.94	999,000.00	1,000,181.94
3130A7HR9	16-0043	FHLB	1,000,000.00	1.300	06/28/2019	03/28/2016	1,183	1.300	1,000,847.00		1,000,000.00	1,000,000.00
3134G8GZ6	16-0028	FHLMC	500,000.00	1.500	07/29/2019	01/29/2016	1,214	1.500	500,420.00		500,000.00	500,000.00
3136G3CD5	16-0039	FNMA	950,000.00	1.350	08/26/2019	02/29/2016	1,242	1.350	950,411.35	106.88	950,000.00	950,106.88
3136G2YY7	16-0048	FNMA	1,000,000.00	1.250	08/26/2019	03/31/2016	1,242	1.250	1,000,056.00	1,215.28	999,990.00	1,001,205.28
3134G8N62	16-0042	FHLMC	1,000,000.00	1.470	11/26/2019	03/22/2016	1,334	1.473	1,000,148.00	1,061.67	999,900.00	1,000,961.67

Portfolio HAMT
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City of Hamilton
Portfolio Management
Investment Status Report - Investments
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CUSIP	Investment #	Issuer	Par Value	Stated Rate	Maturity Date	Purchase Date	Days to Maturity	YTM	Market Value	Accrued Interest At Purchase	Current Principal	Book Value
Federal Agency - Coupon (Callable)												
3136G0XN6	16-0020	FNMA	500,000.00	1.625	11/27/2019	01/15/2016	1,335	1.632	500,156.00	1,083.33	499,875.00	500,958.33
313381HA6	16-0036	FHFB	500,000.00	1.400	12/13/2019	02/18/2016	1,351	1.448	498,754.00	1,263.89	499,100.00	500,363.89
3133EFZW0	16-0035	FFCB	500,000.00	1.500	02/18/2020	02/18/2016	1,418	1.500	499,935.00		500,000.00	500,000.00
3134G8TY5	16-0044	FHLMC	500,000.00	1.420	03/30/2020	03/30/2016	1,459	1.424	500,461.50		499,925.00	499,925.00
Federal Agency - Coupon (Callable) Totals			14,650,000.00				1,081	1.296	14,653,305.40	13,407.74	14,637,305.00	14,650,712.74
Federal Agency - Discount												
313385AF3	16-0017	FHFB	1,000,000.00	0.750	01/06/2017	01/14/2016	260	0.767	996,111.00		992,541.66	992,541.66
Federal Agency - Discount Totals			1,000,000.00				260	0.767	996,111.00	0.00	992,541.66	992,541.66
Treasury Securities - Coupon												
912828UE8	16-0029	USTN	1,000,000.00	0.750	12/31/2017	01/22/2016	639	0.868	1,000,352.00	453.30	997,734.37	998,187.67
912828UZ1	16-0025	USTN	1,000,000.00	0.625	04/30/2018	01/20/2016	759	0.969	997,031.00	1,390.80	992,265.63	993,656.43
912828L81	16-0030	USTN	1,000,000.00	0.875	10/15/2018	01/25/2016	927	1.065	1,001,562.00	2,438.52	994,921.87	997,360.39
912828SX9	16-0033	USTN	1,050,000.00	1.125	05/31/2019	01/28/2016	1,155	1.197	1,057,014.00	1,904.20	1,047,539.06	1,049,443.26
912828TH3	16-0008	USTN	1,000,000.00	0.875	07/31/2019	01/12/2016	1,216	1.368	997,617.00	Received	982,968.75	982,968.75
912828TR1	16-0031	USTN	1,000,000.00	1.000	09/30/2019	01/25/2016	1,277	1.288	1,000,820.00	Received	989,687.50	989,687.50
912828VA5	16-0041	USTN	1,000,000.00	1.125	04/30/2020	03/22/2016	1,490	1.270	1,001,406.00	4,419.64	994,218.75	998,638.39
Treasury Securities - Coupon Totals			7,050,000.00				1,066	1.146	7,055,802.00	10,606.46	6,999,335.93	7,009,942.39
Investment Totals			37,157,000.00				899	1.155	37,188,491.85	32,974.72	37,043,316.42	37,076,291.14



City of Hamilton, Ohio - General Account
CUSIP LISTING
3/31/2016

9:22 AM 4/4/2016

NEXT													CURRENT ESTIMATE								
DESCRIPTION		COUPON STRUCTURE				CALL DATE	CALL TYPE	DAYS NOTICE	CUSIP	PURCHASE DATE	BOOK VALUE	MATURITY DATE	AVG LIFE	AVG	YIELD ^{1,2,3}						
		10/20	1.00%	10/16	2.00%	10/17	2.25%	10/19	2.50%	4/29/16	QTY	5	3134G72U4	10/29/15	1,000,000.00	10/29/20	10/29/16	0.58	1.000	YTW	10/16
1	FILMC STEPUP	10/20	1.00%	10/16	2.00%	10/17	2.25%	10/19	2.50%	4/29/16	QTY	5	3134G72U4	10/29/15	1,000,000.00	10/29/20	10/29/16	0.58	1.000	YTW	10/16
2	FILMC STEPUP	10/20	1.00%	11/16	2.25%					5/19/16	QTY	5	3134G73H2	11/19/15	999,680.18	11/19/20	11/19/16	0.64	1.050	YTW	11/16
TOTAL BOOK VALUE											1,999,680.18	WEIGHTED AVERAGES		0.61	1.025						

1 EST - Estimated yield - Floating rate and structured securities
2 YTW - Yield to Worst - Minimum yield to specific call date or maturity - Actual yield may be higher
3 CPD - Client Provided Data